SGGF II

Saskatchewan Government Growth Fund II Ltd.

Creating economic wealth and diversification
through investment of immigrant investor capital in Saskatchewan

2007 FINANCIAL STATEMENTS

SASKATCHEWAN GOVERNMENT
GROWTH FUND

To the Shareholder of Saskatchewan Government Growth Fund II Ltd.:

We have audited the statement of financial position of Saskatchewan Government Growth Fund II Ltd. as at December 31, 2007, and the statements of operations and comprehensive loss, deficit and accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 8, 2008

Saskatchewan Government Growth Fund II Ltd.
Statement of Financial Position

December 31	2007	2006
Assets		
Cash	**$ 74,959**	$ 79,068
	$ 74,959	$ 79,068
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities	**$ 12,757**	$ 13,358
Commissions payable (Note 4)	**24,500**	24,500
Obligations to investors (Note 5)	**7,871,930**	7,871,930
	7,909,187	7,909,788
Share capital (Note 6)	**1,000**	1,000
Deficit and accumulated other comprehensive income	**(7,835,228)**	(7,831,720)
	(7,834,228)	(7,830,720)
	$ 74,959	$ 79,068

See accompanying notes to the financial statements.

On behalf of the Board:

Roland Hardy
Director

Lloyd Boutilier
Director

Saskatchewan Government Growth Fund II Ltd.
Statement of Operations and Comprehensive Loss

Year ended December 31	2007	2006
Revenues		
Income from cash and publicly-traded and short-term investments	$ 3,862	$ 3,405
	3,862	3,405
Gains realized on disposal of other investments	895	-
Losses realized on disposal of other investments	-	(14,738)
	895	(14,738)
Net revenue	4,757	(11,333)
Expenses		
Administration (Note 8)	8,265	8,332
	8,265	8,332
Net loss for the year	(3,508)	(19,665)
Other comprehensive income	-	-
Comprehensive loss for the year	$ (3,508)	$ (19,665)

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund II Ltd.
Statement of Deficit and Accumulated Other Comprehensive Income

Year ended December 31	2007	2006
Deficit, beginning of year	**$ (7,831,720)**	$ (7,812,055)
Net loss for the year	**(3,508)**	(19,665)
Deficit, end of year	**(7,835,228)**	(7,831,720)
Accumulated other comprehensive income, beginning of year	-	-
Cumulative effect of adopting new accounting policy	-	-
Other comprehensive income for the year	-	-
Accumulated other comprehensive income, end of year	-	-
Total deficit and accumulated other comprehensive income	**$ (7,835,228)**	$ (7,831,720)

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund II Ltd.
Statement of Cash Flows

Year ended December 31	2007	2006
Cash flows from operating activities		
Net loss for the year	**$ (3,508)**	$ (19,665)
Items not affecting cash:		
Net (gains) losses realized on disposal of other investments	**(895)**	14,738
Net change in non-cash balances related to operations (Note 9)	**(601)**	(5,532)
Cash flows from operating activities	**(5,004)**	(10,459)
Cash flows from investing activities		
Disbursements on investments	**-**	(9,553)
Repayments of investments	**895**	22,183
Cash flows from investing activities	**895**	12,630
Net (decrease) increase in cash	**(4,109)**	2,171
Cash, beginning of year	**79,068**	76,897
Cash, end of year	**$ 74,959**	$ 79,068
Interest paid during the year	**-**	-

See accompanying notes to the financial statements.

1. Status of the Corporation

Saskatchewan Government Growth Fund II Ltd. ("SGGF II" or the "Fund") was incorporated in March 1993 under *The Business Corporations Act* (Saskatchewan) and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, the Fund was established to raise $35,000,000 through a bond offering. Each bond is a 2% unsecured, subordinated bond with a principal amount of $250,000 ("Bonds"). The marketing period for the Fund closed on May 28, 1995.

The Confidential Offering Memorandum ("Memorandum") and the IIP prescribe various conditions which qualify an investment as an eligible business, including a requirement that the business be Saskatchewan based and have assets, including assets of associated companies, of less than $35 million.

The Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of the Fund or of a return of an investor's original investment. Neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the Bonds.

The Fund's only source of revenue is from its investments. The Fund has liquidated all of its investments. There were insufficient proceeds on liquidation to satisfy all of the Fund's obligations.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Financial instruments

All financial instruments are classified as one of: (a) held-to-maturity; (b) loans and receivables; (c) held-for-trading; (d) available-for-sale; or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized in comprehensive income. Accumulated other comprehensive income is reported as a separate component of shareholder's equity. Embedded derivatives are accounted for as separate financial instruments and classified in accordance with the above-noted classifications. Investment companies are exempt from these accounting policies with respect to investments and are permitted under Accounting Guideline 18 of the Canadian Institute of Chartered Accountants ("CICA") to measure and report investments at fair value.

The Fund has designated its cash as held-for-trading, which is measured at fair value. Accounts payable and other liabilities, including obligations to investors, are classified as other financial liabilities which are measured at amortized cost. The Fund has no embedded derivatives that need to be separately valued.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and adjustments are reported in the Statement of Operations and Comprehensive Loss in the period in which they become known. The primary measurement uncertainty which may affect the reported amounts relates to the determination of fair values of other investments as described in the following pages.

Future accounting policy changes

In March, 2007 the Accounting Standards Board (AcSB) issued three new Canadian Institute of Chartered Accountants (CICA) handbook sections which expand the disclosure requirements on financial instruments: Section 3862, "Financial Instruments – Disclosures", Section 3863, "Financial Instruments – Presentation" and Section 1535, "Capital Disclosures". Sections 3862 and 3863 replace Section 3861, "Financial Instruments – Presentation and Disclosure". The Fund will adopt these new sections effective January 1, 2008, and is currently assessing the impact.

3. Changes in accounting policies

Accounting changes

Effective January 1, 2007, the Fund adopted the accounting standard Accounting Changes contained in CICA Handbook Section 1506 in accordance with the transitional provisions of the section. The new standard allows for voluntary changes in accounting policy only if they result in the financial statements providing reliable and more relevant information and requires new disclosures in respect of changes in accounting policies, changes in accounting estimates and correction of errors. The adoption of Section 1506 had no material impact on the financial statements.

Financial instruments

The CICA issued several new accounting standards that have been adopted by the Fund effective January 1, 2007 on a retroactive basis without restatement of prior years. These standards are CICA Handbook Sections 3855, "Financial Instruments - Recognition and Measurement" and 3861 – "Financial Instruments - Presentation and Disclosure". These standards provide guidance on recognizing financial instruments and non-financial derivatives on the balance sheet. The standards also specify how financial instrument gains and losses are presented. All contracts must be reviewed for embedded derivatives which must be reported in their separate components. These standards are set out in note 2. This change in accounting policy had no impact on the Fund's financial statements at the time of adoption.

Comprehensive income

On January 1, 2007, the Fund adopted CICA Handbook Sections 1530, "Comprehensive Income" and 3251, "Equity". These Sections establish standards for reporting and display of

comprehensive income. The Fund does not have any items that require separate recognition outside of net income, and, as a result, the adoption of this Section had no impact on the Fund's financial statements.

4. Commissions payable

According to the terms of marketing agreements entered into by the Fund, a commission is payable to the independent marketing agent selling the Bonds upon issuance of the investor's immigrant visa.

5. Obligations to investors

Obligations to investors represent the Bonds issued to investors of the Fund. The Bonds help to satisfy a portion of investors' visa requirements under the IIP. Interest to the maturity date of Bonds is accrued at an annual rate of 2% from the date of Bond issuance. The obligation at December 31 is:

	2007	2006
43 Bonds	**$ 7,871,930**	$ 7,871,930

All Bonds have matured. The obligation is comprised of 31 unsecured subordinated Bonds with a remaining principal balance ranging from $210,462 to $216,832 and 12 Bonds with a remaining principal balance ranging from $102,555 to $103,907.

Obligations under the Bonds are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and other available liquidity in excess of other liabilities.

Liquidity problems experienced in the investment portfolio during the year 2000 forced the Fund to reduce repayments on Bonds that matured between September and November 2000, and to suspend repayments on Bonds that matured after November 2000. In September 2005, a payment of $47,250 was made to the holders of the 31 Bonds on which payments had been suspended.

The Fund has a significant deficit and no resources from which to make any further principal payments on the outstanding Bonds.

6. Share capital

The authorized common share capital of the Fund at December 31 is:

Class A common shares – an unlimited number of voting common shares. Holders of these shares are not entitled to receive dividends.

Class B common shares - an unlimited number of non-voting common shares. Holders of these common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2007	2006
1,000 Class A common shares	**$ 1,000**	$ 1,000

7. Risk management

The Fund's primary business was the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This investment activity entails exposure to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors may impact upon the Fund's ability to repay its Bonds at maturity.

Market risk

Market risk is the risk that the fair value of an investment may be affected by the ability of an investee company to profitably distribute its products. Some of the companies in which the Fund invests are dependent upon a single product or industry. The Fund manages this risk through careful due diligence prior to committing funds to the investment and by diversifying its investments across various industry sectors.

Credit risk

Credit risk is the risk that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that the Fund restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to a similar general economic environment. In addition, changes in commodity prices and foreign currency exchange rates may significantly affect the financial position of some investees. The Fund conducts thorough due diligence prior to committing to an investment and actively monitors the financial health of its investees on an on-going basis.

Interest rate risk

Interest rate risk is the risk that the Fund's earnings will be affected by fluctuations in interest rates. The Fund manages this risk through carefully monitoring and matching the duration of its investments with the duration of its obligations to investors.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in liquidating its investments at the time it is required to repay its Bonds. Due to the nature of some of the Fund's investments, the timing of cash flows from its investments may not exactly match the payments owing under the Fund's Bonds. The Fund carefully monitors the duration of its investments. However, timing differences may require the Fund to reduce or delay the payments owing on Bonds at maturity.

Fair value – obligations to investors

No secondary market for the Bonds exists. Due to the unique features associated with the Bonds, the calculation of a fair value with appropriate reliability is impractical. The risk factors

that affect the fair value of investments, as described above, also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

8. Administration

Under the terms of a management agreement between the Fund and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of the Fund with the assistance of a manager that performs fund administration and investment management together with several investment subadvisors. SGGF Management Corporation does not guarantee the financial performance of the Fund. All services provided to the Fund are charged on a fee for service basis. The costs billed to the Fund by SGGF Management Corporation are as follows:

	2007	2006
Directors' fees and expenses	**$ 1,023**	$ 1,679
Legal and professional	**7,242**	6,653
	$ 8,265	$ 8,332

9. Net change in non-cash balances related to operations

	2007	2006
Accounts payable and accrued liabilities	**$ (601)**	$ (5,532)

10. Income taxes

A provincial Crown corporation, SGGF Management Corporation, owns all of the issued shares of the Fund. Therefore, the Fund is exempt from income taxes.

11. Related party transactions

Included in these financial statements are amounts resulting from transactions with SGGF Management Corporation pursuant to a management agreement referred to in Note 8. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Total fees charged to the Fund by SGGF Management Corporation amounted to $8,265 (2006 - $8,332). Total fees payable to SGGF Management Corporation at December 31, 2007, and included in the above, are $2,757 (2006 - $3,358).

12. Contingencies

The Fund indemnifies contracted parties in connection with services provided. From time to time the Fund or such parties may be defendants in litigation. It is not possible to predict the ultimate outcome of any outstanding litigation or estimate any costs which might result.